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12 Attorneys for Plaintiff
13 CHURCH OF SCIENTOLOGY INTERNATIONAL

14 UNITED STATES BANKRUPTCY COURT
15 NORTHERN DISTRICT OF CALIFORNIA

16 In re

17 GERALD ARMSTRONG,

18 Debtor.

19 CHURCH OF SCIENTOLOGY INTERNATIONAL,
20 a California non-profit religious
21 corporation,

22 Plaintiff,

23 v.

24 GERALD ARMSTRONG,

25 Defendant.

) Case No. 95 10911 aj
) Chapter 7

) Adv. Pro. No. 95 1164

) Date:

) Time:

) Courtroom of the
) Honorable Alan Jaroslovsky

) Trial Date: Feb. 13, 1996

26 DECLARATION OF ANDREW H. WILSON
27 IN SUPPORT OF PLAINTIFF'S MOTION FOR LEAVE
28 TO AMEND COMPLAINT AND FOR A CONTINUANCE OF TRIAL DATE

I, ANDREW H. WILSON, declare as follows:

1. My name is Andrew H. Wilson, and I am an attorney at law
licensed to practice before the Courts of the State of California

1 and before this Court. I am a partner at the law firm of Wilson,
2 Ryan & Campilongo, 115 Sansome Street, Suite 400, San Francisco,
3 California 94104 ("WRC"). As one of the attorneys responsible for
4 the representation of the Plaintiff in the above-captioned matter
5 and in Marin Superior Court Action entitled Church of Scientology
6 International v. Gerald Armstrong v. Gerald Armstrong, et al., Marin
7 County Superior Court Case No. 157680 consolidated (the "Marin
8 Action"), I have personal knowledge of the facts set forth below,
9 except as to those matters set forth on information and belief. If
10 called as a witness, I can competently testify to the matters set
11 forth herein.

12 2. On May 25, 1995, Plaintiff obtained relief from the
13 automatic stay to pursue its Marin Action against Defendant Gerald
14 Armstrong. Judge Thomas of the Marin Superior Court issued a
15 tentative ruling which provided that:

16 "The Clerk of the Court is directed to ENTER FINAL
17 JUDGMENT in favor of the Plaintiff in accordance with the
18 orders of summary adjudication and permanent injunction
19 attached hereto as Exhibits A, B, and C;

20 Plaintiff, Church of Scientology International, is
21 ADJUDICATED the prevailing party in this action, pursuant
22 to Civil Code Section 1717, and is awarded its attorney's
23 fees and costs pursuant to that section and the contract
24 between the parties."

25 After the hearing on December 1, 1995, and in accordance with Marin
26 Superior Court procedures, I submitted a proposed order to Judge
27 Thomas memorializing the tentative ruling.

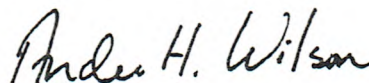
28 3. This proposed order was not returned after a number of
weeks. I then contacted Judge Thomas' clerk to inquire about the
proposed order and was informed that the order was lost or was not
able to be located. Therefore, on January 18, 1996, I resubmitted

1 the proposed order and expect to receive a signed copy of this order
2 within the week. A true and correct copy of the proposed order is
3 attached hereto and incorporated herein as Exhibit A.

4 4. As a result of obtaining this final judgment in the Marin
5 Action, Plaintiff seeks to have a determination that the permanent
6 injunction issued to enforce the subject contract remains
7 enforceable notwithstanding Defendant's bankruptcy and that the
8 damages resulting from the Marin Action are nondischargeable. In
9 connection with Plaintiff's Motion for relief from stay, this Court
10 stated that this must be accomplished by an adversary proceeding
11 pursuant to FRBP 7001. Attached hereto and incorporated herein as
12 Exhibit B is a true and correct copy of Plaintiff's proposed first
13 amended adversary complaint. The Plaintiff also proposes, by its
14 amended complaint, to dismiss the third and fourth claims for
15 relief. Plaintiff seeks to proceed to trial with a thorough and
16 precise complaint against this Defendant.

17 5. Plaintiff seeks to amend its adversary complaint to have
18 all of these issues between these parties determined in one trial.
19 Due to the proximity to the trial date, Plaintiff seeks also a brief
20 continuance of sixty (60) days so as to allow Defendant an
21 opportunity to respond to the amended adversary complaint.

22 I declare under the penalty of perjury pursuant to the laws of
23 the State of California that the foregoing is true and correct and
24 that this Declaration was executed on January 24, 1996 at San
25 Francisco, California.

26 
27 ANDREW H. WILSON
28

ANDREW H. WILSON
STEPHEN C. RYAN*
CHRISTOPHER B. TIGNO
ANNE R. KNOWLES
LINDA M. FONG
SHAUNA T. RAJKOWSKI
IAIN-BREAC MACLEOD
JASON S. COHEN

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A PROFESSIONAL LAW CORPORATION

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FILE

OF COUNSEL
LISA F. CAMPILONGO

*CERTIFIED TAXATION SPECIALIST
THE STATE BAR OF CALIFORNIA
BOARD OF LEGAL SPECIALIZATION

January 18, 1996

VIA HAND DELIVERY

The Honorable Gary W. Thomas
Superior Court Judge
MARIN COUNTY SUPERIOR COURT
Department 1
3501 Civic Center Drive
San Rafael, CA 94903-3904

Re: Church of Scientology v. Gerald Armstrong
Marin County Case No. 157 680
Our File No. SCI02-013

Dear Judge Thomas:

As you will recall, I inquired of the Court and its personnel on Tuesday, January 16, concerning the proposed orders on the various summary judgment motions in the above-entitled matter, which were previously submitted for your signature.

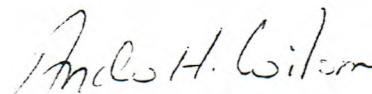
The Court indicated that it did not recall having seen or signed these orders, and I stated that we would simply resubmit them. They are enclosed, together with the cover letter of December 13, 1995, which reflects that these orders had been sent to Messrs. Greene and Walton. Mr. Greene's facsimile signature is enclosed, and Mr. Walton has not responded.

We ask that conformed copies be returned to us in the envelope provided.

Please call me if you have any questions.

Very truly yours,

WILSON, RYAN & CAMPILONGO


Andrew H. Wilson

AHW-1416.LTR
Enclosures
SASE

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ATTORNEYS AT LAW
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SUITE 2000
HOLLYWOOD, CALIFORNIA 90028
TELEPHONE (213) 960-1936
TELECOPIER (213) 953-3351

KENDRICK L. MOXON

LAURIE J. BARTILSON

ALSO ADMITTED IN
THE DISTRICT OF COLUMBIA

ALSO ADMITTED IN
MASSACHUSETTS

December 13, 1995

By Hand Delivery

The Honorable Gary W. Thomas
Superior Court Judge
Marin County Superior Court
Department 1
Hall of Justice
3501 Civic Center Drive
San Rafael, California 94903-3904

Re: Church of Scientology International v. Gerald Armstrong,
Marin County No. 157 680

Dear Judge Thomas:

Enclosed are proposed orders concerning the various motions in the above-entitled matter. They are the tentative rulings which you made final on December 1, 1995.

Mr. Greene sent his signatures concerning these proposed orders to me by facsimile; they are attached. I sent the proposed orders to Mr. Walton by fax and mail on December 6, 1995. He has not responded.

Sincerely,

MOXON & BARTILSON



Laurie J. Bartilson

LJB:aeu

cc: Andrew H. Wilson, Esq. (by mail)
cc: Ford Greene, Esq. (by mail)
cc: Michael Walton, Esq. (by mail)

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9 Attorneys for Plaintiff
CHURCH OF SCIENTOLOGY INTERNATIONAL

10
11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 FOR THE COUNTY OF MARIN

13 CHURCH OF SCIENTOLOGY INTERNATIONAL,) Case No. 157 680
a California not-for-profit)
14 religious corporation,) [CONSOLIDATED]
)
15 Plaintiff,) [PROPOSED] ORDER RE MOTION
) OF PLAINTIFF FOR
16 v.)
) DEPT: 1
17 GERALD ARMSTRONG, et al.,)
) Trial Date: None
18 Defendants.)
)
19)
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1 This matter came on for hearing on December 1, 1995, on motion
2 of Plaintiff Church of Scientology International for (1) Summary
3 Adjudication of the First Cause of Action of Armstrong's First
4 Amended Complaint; (2) Severance; (3) Dismissal of Unadjudicated
5 Claims; and (4) Entry of Final Judgment.

6 Plaintiff Church of Scientology International appeared by its
7 attorneys, Andrew H. Wilson of Wilson, Ryan & Campilongo and Laurie
8 J. Bartilson of Moxon & Bartilson. Defendant Armstrong appeared by
9 his attorney, Ford Greene. Having read and considered the moving
10 and opposing papers, and the evidence and arguments presented
11 therein and at the hearing, and good cause appearing:

12 IT IS ORDERED:

13 1. The Motion of Plaintiff for Summary Adjudication of the
14 First Cause of Action of the Armstrong's First Amended Cross-
15 complaint is DENIED. As to the first cause of action of defendant's
16 cross-complaint, plaintiff has failed to meet its burden of showing
17 that the Court has determined the enforceability of paragraphs 7I
18 and 18E of the Settlement Agreement. The motions directed at the
19 fourth, sixth, thirteenth, sixteenth, seventeenth and nineteenth
20 causes of action only involved paragraph 7D of the Settlement
21 Agreement. (See plaintiff's Exhibits C and D to Request for
22 Judicial Notice.) Defendant does not dispute that "paragraphs 4A
23 and 4B concern an appeal which has already become final, and as a to
24 which no rights, duties or obligations could be enforced in the
25 future." (See plaintiff's Separate Statement of Undisputed Facts,
26 Number 3) The Order of Permanent Injunction did not find violations
27 of paragraphs 7I and 18E. (See plaintiff's Request for Judicial
28 Notice, Exhibit E, p. 2, ¶4.);

1 2. Plaintiff's motion is sever is GRANTED. The Fraudulent
2 Conveyance Action (original Marin County Superior Court Case No.
3 157680) is severed from the Breach of Contract Action (original
4 Marin County Superior Court Case No. 152229, also Los Angeles
5 Superior Court Case No. BC 052395). Further, all activity in the
6 Fraudulent Conveyance Action is STAYED during the pendency of
7 Armstrong's bankruptcy case;

8 3. The first, second, third, fifth, seventh, eighth, ninth,
9 tenth, eleventh, twelfth, fourteenth, fifteenth and eighteenth
10 causes of action of plaintiff's Second Amended Complaint for breach
11 of contract are DISMISSED without prejudice, pursuant to C.C.P.
12 §581(c);

13 4. The Clerk of the Court is directed to ENTER FINAL JUDGMENT
14 in favor of plaintiff in accordance with the Orders of Summary
15 Adjudication and Permanent Injunction attached hereto as Exhibits A,
16 B and C;

17 5. Plaintiff, Church of Scientology International, is
18 ADJUDICATED the prevailing party in this action, pursuant to Civil
19 Code Section 1717, and is awarded its attorney's fees and costs
20 pursuant to that section and the contract between the parties.
21

22 Dated: _____, 1996

GARY W. THOMAS
JUDGE OF THE SUPERIOR COURT

24
25 Submitted by:

26 Laurie Bartilson
27 MOXON & BARTILSON
28

1 WILSON, RYAN & CAMPILONGO

2 BY: And. H. Wilson

3 Andrew H. Wilson

4 Attorneys for Plaintiff
5 CHURCH OF SCIENTOLOGY
INTERNATIONAL

6 APPROVED AS TO FORM:

7 By: _____

8 Ford Greene, Esq.
9 HUB LAW OFFICES
Attorney for Defendants
10 GERALD ARMSTRONG and THE GERALD
ARMSTRONG CORPORATION

11 By: _____

12 Michael Walton, Esq.
13 Attorney for Defendants MICHAEL
WALTON and SOLINA WALTON

1 WILSON, RYAN & CAMPILONGO

2 MOXON & BARTILSON

3

By: _____

4 Laurie J. Bartilson

5 Attorneys for Plaintiff
6 CHURCH OF SCIENTOLOGY
INTERNATIONAL

7 APPROVED AS TO FORM:

8

9 By: _____

10 Ford Greene, Esq.
11 HUB LAW OFFICES
12 Attorney for Defendants
13 GERALD ARMSTRONG and THE GERALD
14 ARMSTRONG CORPORATION

13

By: _____

14 Michael Walton, Esq.
15 Attorney for Defendants MICHAEL
16 WALTON and SOLINA WALTON

16

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SUPERIOR COURT, MARIN COUNTY, CALIFORNIA
LAW & MOTION, CIVIL CALENDAR
RULINGS

PAGE: 4-A

TIME: 9:00

DATE: 1/27/95

DEPT: 1

JUDGE: GARY W. THOMAS

REPORTER: E. PASSARIS

CLERK: J. BENASSINI

CASE NO: 157680

TITLE OF ACTION: CHURCH OF SCIENTOLOGY V. GERALD ARMSTRONG

THE MOTION OF PLAINTIFF FOR SUMMARY ADJUDICATION OF ISSUES IS GRANTED AS TO THE FOURTH AND SIXTH CAUSES OF ACTION AND DENIED AS TO THE ELEVENTH CAUSE OF ACTION.

AS TO ALL CAUSES OF ACTION, DEFENDANT FAILS TO RAISE A TRIABLE ISSUE AS TO WHETHER THE LIQUIDATED DAMAGES PROVISION IS INVALID. DEFENDANT RELIES ON THE LAW AS IT EXISTED PRIOR TO JULY 1, 1978. (SEE UNITED SAV. & LOAN ASSN. V. REEDER DEV. CORP. (1976) 57 CAL.APP.3D 282 AND EARLIER VERSIONS OF CIV. CODE, §§ 1670 AND 1671.) THE LAW NOW PRESUMES THAT LIQUIDATED DAMAGES PROVISIONS ARE "VALID UNLESS THE PARTY SEEKING TO INVALIDATE THE PROVISION ESTABLISHES THAT THE PROVISION WAS UNREASONABLE UNDER THE CIRCUMSTANCES EXISTING AT THE TIME THE CONTRACT WAS MADE." (CIV. CODE, § 1671, SUBD. (b).) DEFENDANT'S EVIDENCE IS NOT SUFFICIENT TO RAISE A TRIABLE ISSUE IN THAT REGARD. ALTHOUGH DEFENDANT STATES IN HIS DECLARATION THAT HE WAS NOT INVOLVED IN NEGOTIATING THE PROVISION (SEE D'S EX. 1, ¶12), HE GOES ON TO STATE THAT HE DISCUSSED THE PROVISION WITH TWO ATTORNEYS BEFORE SIGNING THE AGREEMENT. (ID., ¶¶12-13.) THUS, HE CLEARLY KNEW OF THE PROVISION YET CHOSE TO SIGN IT. HE HAS NOT SHOWN THAT HE HAD UNEQUAL BARGAINING POWER OR THAT HE MADE ANY EFFORTS TO BARGAIN OR NEGOTIATE WITH RESPECT TO THE PROVISION. (SEE H. S. PERLIN CO. V. MORSE SIGNAL DEVICES (1989) 209 CAL.APP.3D 1289.) DEFENDANT NEXT STATES THAT PLAINTIFF'S ACTUAL DAMAGES ARE ZERO. (D'S EX. 1, ¶12.) HOWEVER, "THE AMOUNT OF DAMAGES ACTUALLY SUFFERED HAS NO BEARING ON THE VALIDITY OF THE LIQUIDATED DAMAGES PROVISION..." (SEE LAW REVISION COMMISSION COMMENT TO § 1671.) FINALLY, DEFENDANT POINTS TO THE FACT THAT OTHER SETTLEMENT AGREEMENTS CONTAIN A \$10,000 LIQUIDATED DAMAGES PROVISION. (SEE D'S EXS. 2C AND 2D.) THIS ALONE IS NOT SUFFICIENT TO RAISE A TRIABLE ISSUE IN THAT DEFENDANT HAS NOT SHOWN THAT CIRCUMSTANCES DID NOT CHANGE BETWEEN 12/86 AND 4/87 AND THAT THOSE SETTLING PARTIES STAND IN THE SAME OR SIMILAR POSITION TO DEFENDANT (I.E., THAT THEY WERE AS HIGH UP IN THE ORGANIZATION AND COULD CAUSE AS MUCH DAMAGE BY SPEAKING OUT AGAINST PLAINTIFF OR THAT THEY HAVE/HAD ACCESS TO AS MUCH INFORMATION AS DEFENDANT).

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01-17-96 01:35PM

SUPERIOR COURT, MARIN COUNTY, CALIFORNIA
LAW & MOTION, CIVIL CALENDAR
RULINGS

PAGE: 4-A

TIME: 9:00

DATE: 1/27/95

DEPT: 1

JUDGE: GARY W. THOMAS

REPORTER: E. PASSARIS

CLERK: J. BENASSINI

CASE NO: 157680

TITLE OF ACTION: CHURCH OF SCIENTOLOGY V. GERALD ARMSTRONG

DEFENDANT ALSO HAS NOT RAISED A TRIABLE ISSUE REGARDING DURESS. DEFENDANT'S OWN DECLARATION SHOWS HE DID NOT EXECUTE THE AGREEMENT UNDER DURESS IN THAT IT SHOWS THAT HE CAREFULLY WEIGHED HIS OPTIONS. (SEE D'S EX. 1, ¶10.) IT CERTAINLY DOES NOT SHOW THAT HE DID SOMETHING AGAINST HIS WILL OR HAD "NO REASONABLE ALTERNATIVE TO SUCCUMBING." (SEE *IN RE MARRIAGE OF BALTIMORE* (1989) 212 CAL.APP.3D 66, 84.) IN ADDITION, DEFENDANT IS RELYING ON THE CONDUCT OF A THIRD PARTY (FLYNN) TO ESTABLISH DURESS, YET HE SETS FORTH NO FACT OR EVIDENCE IN HIS SEPARATE STATEMENT SHOWING THAT PLAINTIFF HAD REASON TO KNOW OF THE DURESS. (SEE *LEPPER V. BELTRAMI* (1959) 53 CAL.2D 195, 206.)

AS TO THE FOURTH CAUSE OF ACTION, CONTRARY TO DEFENDANT'S ARGUMENT, THE SUBJECT DECLARATION DOES MORE THAN MERELY AUTHENTICATE DOCUMENTS. (SEE P'S EX. 1(A)(11), ¶¶1-3.) THE COURT FINDS THAT THE DECLARATION CONSTITUTES A DISCLOSURE OF DEFENDANT'S "EXPERIENCES WITH" PLAINTIFF OR "KNOWLEDGE OR INFORMATION" CONCERNING PLAINTIFF AND HUBBARD. (SEE P'S EX. 1B, ¶7D.) DEFENDANT FAILS TO RAISE A TRIABLE ISSUE REGARDING OBSTRUCTION OF JUSTICE/ SUPPRESSION OF EVIDENCE. THE SETTLEMENT AGREEMENT EXPRESSLY DOES NOT PROHIBIT DEFENDANT FROM DISCLOSING INFORMATION PURSUANT TO SUBPOENA OR OTHER LEGAL PROCESS. (SEE P'S EX. 1B, ¶7H; CONTRAST WITH PEN. CODE, §§ 136.1 AND 138, *WILLIAMSON V. SUPERIOR COURT* (1978) 21 CAL.3D 829, *PEOPLE V. PICCOLI* (1982) 31 CAL.3D 731.) NOR IS PLAINTIFF IN THIS CAUSE OF ACTION SEEKING TO PROHIBIT DISCLOSURE TO GOVERNMENT AGENCIES CONDUCTING INVESTIGATIONS PURSUANT TO STATUTORY OBLIGATIONS. (CONTRAST WITH *MARY R. V. B. & R. CORP.* (1983) 149 CAL.APP.3D 308 AND *ALLEN V. JORDANOS' INC.* (1975) 52 CAL.APP.3D 160.) EVEN IF A PORTION OF THE AGREEMENT COULD BE CONSTRUED TO SO PROHIBIT (SEE, E.G., ¶10), PLAINTIFF IS NOT RELYING ON THAT SECTION. NOR HAS DEFENDANT SHOWN THAT THE PROVISION IS SO SUBSTANTIAL AS TO RENDER THE ENTIRE CONTRACT ILLEGAL. (CONTRAST WITH *ALLEN*, SUPRA, 52 CAL.APP.3D AT 166.)

TO 9141595409381418*

01-17-96 01:35PM

SUPERIOR COURT, MARIN COUNTY, CALIFORNIA
LAW & MOTION, CIVIL CALENDAR
RULINGS

PAGE: 4-A

TIME: 9:00

DATE: 1/27/95

DEPT: 1

JUDGE: GARY W. THOMAS

REPORTER: E. PASSARIS

CLERK: J. BENASSINI

CASE NO: 157680

TITLE OF ACTION: CHURCH OF SCIENTOLOGY V. GERALD ARMSTRONG

AS TO THE SIXTH CAUSE OF ACTION, DEFENDANT FAILS TO RAISE A TRIABLE ISSUE REGARDING THE CNN INTERVIEW. DEFENDANT ADMITTED IN HIS DEPOSITION THAT HIS CONVERSATION WITH CNN INVOLVED KNOWLEDGE HE HAD GAINED BECAUSE OF HIS YEARS OF EXPERIENCE WITH THE ORGANIZATION (P'S EX. 1A AT 344:1-4), THUS REFUTING HIS ARGUMENTS THAT HIS STATEMENT WAS BASED ON KNOWLEDGE ACQUIRED AFTER THE SETTLEMENT AGREEMENT AND THAT HIS INTERVIEW WAS DIRECTLY RELATED TO THE INSTANT LITIGATION. IN ADDITION, PLAINTIFF SET FORTH NO FACTS OR EVIDENCE IN HIS SEPARATE STATEMENT SHOWING THAT HE COULD DISCLOSE INFORMATION ACQUIRED AFTER EXECUTION OF THE SETTLEMENT AGREEMENT OR THAT HE COULD MAKE SUCH STATEMENTS IN THE CONTEXT OF FUTURE LITIGATION. FINALLY, THERE IS NOTHING IN THE STATEMENT WHICH TIES IT TO EITHER OF THE ARGUMENTS RAISED BY DEFENDANT. DEFENDANT ALSO FAILS TO RAISE A TRIABLE ISSUE REGARDING THE AMERICAN LAWYER INTERVIEW. DEFENDANT'S CLAIM THAT HE ONLY DISCUSSED THE INSTANT LITIGATION IS REFUTED BY HIS OWN ADMISSION THAT HE DISCUSSED "THE PLIGHT OF THE ORGANIZATION [AND] WHAT IT WOULD TAKE TO END ITS LEGAL TROUBLES." (D'S EX. 1D AT 352:15-19.) DEFENDANT'S CLAIM THAT HIS DISCUSSION INVOLVED "NOTHING MORE THAN WHAT JUDGE BRECKENRIDGE STATED IN HIS DECISION IN ARMSTRONG I" IS REFUTED BY HIS ADMISSION THAT HE DID NOT RECALL DISCUSSING THE BRECKENRIDGE OPINION WITH THE REPORTER. (D'S EX. 1D AT 358:20-23.) FURTHER, DEFENDANT POINTS TO NOTHING IN JUDGE BRECKENRIDGE'S OPINION WHICH COINCIDES TO THOSE MATTERS DISCUSSED BY DEFENDANT.

AS TO THE ELEVENTH CAUSE OF ACTION, PLAINTIFF HAS NOT SHOWN THAT DEFENDANT VIOLATED PARAGRAPH 7D OF THE SETTLEMENT AGREEMENT. THE DECLARATION RELIED ON BY PLAINTIFF (P'S EX. 1(A)(8)) DOES NOT DISCLOSE DEFENDANT'S "EXPERIENCES WITH THE CHURCH OF SCIENTOLOGY [OR] ANY KNOWLEDGE OR INFORMATION HE MAY HAVE CONCERNING THE CHURCH OF SCIENTOLOGY..."

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TO 9141595409381418X
P0047016

SUPERIOR COURT, MARCH COUNTY, CALIFORNIA
LAW & MOTION, CIVIL CALENDAR
RULINGS

PAGE: 4-A

TIME: 9:00

DATE: 1/27/95

DEPT: 1

JUDGE: GARY W. THOMAS

REPORTER: E. PASSARIS

CLERK: J. BENASSINI

CASE NO: 157680

TITLE OF ACTION: CHURCH OF SCIENTOLOGY V. GERALD ARMSTRONG

DEFENDANT ARMSTRONG FILED A SUPPLEMENTAL DECLARATION AND EVIDENCE SIX DAYS LATE. THE COURT DID NOT PERMIT SAME. THE PLAINTIFF'S MOTION TO STRIKE THE SUPPLEMENTAL PAPERS FROM THE FILE IS GRANTED. PLAINTIFF'S REQUEST FOR SANCTIONS IS GRANTED. DEFENDANTS KNEW THE LATENESS OF THE FILING, SOME SIX DAYS. THERE WAS AMPLE TIME TO SEEK THE COURT'S PERMISSION FOR A LATE FILING. PERMISSION WAS NOT SOUGHT. SANCTIONS REQUESTED BY PLAINTIFF PURSUANT TO SECTION 437C(1) ARE GRANTED IN THE AMOUNT OF \$700, AS THE COURT FINDS THIS SIX-DAYS LATE FILING TO BE IN BAD FAITH.

TOTAL P.04

01-17-96 01:35PM
JAN 20 1995
MARCH 11 1995
SUPERIOR COURT
10 914109304030014700
4321031 P.04

FILED

OCT 17 1995

HOWARD HANSON
MARIN COUNTY CLERK
by J. Steele, Deputy

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12 (213) 960-1936
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14 Attorneys for Plaintiff
15 CHURCH OF SCIENTOLOGY
16 INTERNATIONAL

17 SUPERIOR COURT OF THE STATE OF CALIFORNIA

18 FOR THE COUNTY OF MARIN

19 CHURCH OF SCIENTOLOGY
20 INTERNATIONAL, a California not-
21 for-profit religious corporation,

22 Plaintiff,

23 vs.

24 GERALD ARMSTRONG; DOES 1 through
25 25, inclusive,

26 Defendants.

) CASE NO. BC 157680

) [PROPOSED]

) ORDER OF SUMMARY JUDGMENT

) AS TO THE THIRTEENTH,

) SIXTEENTH, SEVENTEENTH, AND

) NINETEENTH CAUSES OF ACTION

) DATE: October 6, 1995

) TIME: 9:00 a.m.

) DEPT: 1

) TRIAL DATE: Vacated

27 This matter came on for hearing on October 6, 1995, on
28 motion of plaintiff Church of Scientology International ("the
Church") for Summary Adjudication of the Thirteenth, Sixteenth,
Seventeenth, and Nineteenth Causes of Action of the Second
Amended Complaint. Plaintiff Church of Scientology International

1 appeared by its attorneys, Andrew H. Wilson of Wilson, Ryan &
2 Campilongo and Laurie J. Bartilson of Bowles & Moxon, defendant
3 Armstrong appeared by his attorney, Ford Greene. Having read and
4 considered the moving and opposing papers, and the evidence and
5 arguments presented therein and at the hearing, and good cause
6 appearing:

7 IT IS ORDERED:

8 1. The Motion of Plaintiff for Summary Adjudication of
9 Issues as to the Thirteenth, Sixteenth, Seventeenth, and
10 Nineteenth Causes of Action of the Second Amended Complaint is
11 GRANTED in favor of Plaintiff, Church of Scientology
12 International, and against Defendant, Gerald Armstrong, in the
13 amount of \$200,000.

14 Plaintiff has met its burden of showing that defendant
15 breached the settlement agreement and that it is entitled to
16 liquidated damages of \$50,000 for each breach. Defendant has
17 failed to raise a triable issue as to any of the causes of
18 action, as follows:

19 INVALIDITY OF LIQUIDATED DAMAGES PROVISION: Defendant's
20 evidence regarding his attorneys' failure to represent his
21 interests (see Facts 43 and 58) is hearsay and/or not based on
22 personal knowledge. The opinion of defendant's attorney as to
23 the validity of the provision (see, e.g., Facts 52-54, 57-60) is
24 irrelevant and hearsay. The fact that two other clients signed a
25 settlement agreement containing the same liquidated damages
26 amount (see Facts 55-56 and 63-64) does not raise an inference
27 that the provision was unreasonable. Defendant's evidence is
28 insufficient to raise a reasonable inference of unequal

1 bargaining power (no personal knowledge shown that plaintiff, as
2 opposed to Flynn, positioned defendant as a "deal breaker";
3 Flynn's statements hearsay; no personal knowledge shown of
4 plaintiff's wealth; wealth alone does not raise inference of
5 unequal bargaining power since no showing defendant desperate for
6 money and had to accept on plaintiff's terms). Defendant's
7 evidence does not raise an inference that plaintiff's calculation
8 is "unfathomable" (Fourteenth Cause of Action seeks \$50,000 for
9 each of 18 letters; Nineteenth Cause of Action is based only on
10 declarations, not on other contacts between defendant and
11 attorney/other clients). Defendant fails to establish how he
12 knows plaintiff had not been injured by his statements at the
13 time of settlement.

14 DURESS: Flynn's statements to defendant are hearsay. (See,
15 e.g., D's Facts 1C and 1D.) Further, defendant has not shown
16 that plaintiff was aware of Flynn's purported duress of
17 defendant. (See *Leeper v. Beltrami* (1959) 53 Cal.2d 195, 206.)
18 Contrary to defendant's statement about duress, "careful weighing
19 of options" is completely inconsistent with an absence "of the
20 free exercise of his will power" or his having "no reasonable
21 alternative to succumbing." (See *Philippine Export & Foreign*
22 *Loan Guarantee Corp. v. Chuidian* (1990) 218 Cal.App.3d 1058,
23 1078; *In Re Marriage of Baltins* (1989) 212 Cal.App.3d 66, 84.)

24 FRAUD: Flynn's statements to defendant (see Fact 78) are
25 hearsay. The Court finds that the portions of the agreement
26 cited by defendant (see Facts 79 and 80) do not establish a
27 mutual confidentiality requirement. Paragraph 7(I) only
28 prohibits the parties from disclosing information in litigation

1 between the parties; paragraph 18(D) only prohibits disclosure of
2 the terms of the settlement; defendant has not shown that
3 plaintiff did either of those things. Further, "[s]omething more
4 than nonperformance is required to prove the defendant's
5 intention not to perform his promise." (*Tenzer v. Superscope,*
6 *Inc.* (1985) 39 Cal.3d 18, 30-31).

7 NO SPECIFIC PERFORMANCE, BREACH OF EXPRESS AND IMPLIED
8 COVENANT: Defendant relies on the purported mutuality
9 requirement, which he has failed to establish.

10 FIRST AMENDMENT: First Amendment rights may be waived by
11 contract. (See *ITT Telecom Products Corp. v. Dooley* (1989) 214
12 Cal.App.3d 307, 319.)

13 2. The plaintiff has asked that the exhibits which were
14 previously ordered sealed be stricken as they are trade secrets,
15 irrelevant to this motion. This request is GRANTED. They are
16 not relevant. Further, they were filed by Mr. Armstrong in pro
17 per when he is, in fact, represented by counsel.

18 Dated: October __, 1995

19 OCT 17 1995

20 GARY W. THOMAS

21 GARY W. THOMAS
22 Judge of the Superior Court

23
24 Approved as to form:

25
26 Ford Greene
27 Attorney for Defendants Gerald
28 Armstrong and the Gerald Armstrong
Corporation

EXHIBIT C

FILED

OCT 17 1995

HOWARD HANSON
MARIN COUNTY CLERK
by J. Steele, Deputy

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14 Attorneys for Plaintiff
15 CHURCH OF SCIENTOLOGY
16 INTERNATIONAL

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY
INTERNATIONAL, a California not-for-profit
religious corporation,

Plaintiff,

vs.

GERALD ARMSTRONG; DOES 1 through
25, inclusive,

Defendants.

CASE NO. BC 157680

~~PROPOSED~~

ORDER OF PERMANENT
INJUNCTION

DATE: October 6, 1995

TIME: 9:00 a.m.

DEPT: 1

TRIAL DATE: Vacated

This matter came on for hearing on October 6, 1995, on motion of plaintiff Church of Scientology International ("the Church") for Summary Adjudication of the Twentieth Cause of Action of the Second Amended Complaint. Plaintiff Church of Scientology International appeared by its attorneys, Andrew H. Wilson of Wilson, Ryan & Campilongo and Laurie J. Bartilson of Bowles & Moxon,

312

1 defendant Armstrong appeared by his attorney, Ford Greene. Having read and
2 considered the moving and opposing papers, and the evidence and arguments
3 presented therein and at the hearing, and good cause appearing:

4 IT IS ORDERED:

5 The Church's motion for summary adjudication of the twentieth cause of
6 action of the Second Amended Complaint is GRANTED. The Court finds that there
7 is no triable issue of material fact as to any of the following:

8 1. Plaintiff and defendant freely and voluntarily entered into a Mutual
9 Release of All Claims and Settlement Agreement ("Agreement") in December,
10 1986.

11 2. Plaintiff performed all of its obligations pursuant to the Agreement.

12 3. Defendant Armstrong received substantial consideration for the
13 promises which he made in the Agreement.

14 4. Since 1990, defendant Armstrong has repeatedly breached
15 paragraphs 7(D), 7(E), 7(H), 7(G), 10, 18(D) and 20 of the Agreement.

16 5. Between 1991 and the present, Armstrong breached paragraphs 7(G),
17 7(H) and 10 of the Agreement by providing voluntary assistance, exclusive of
18 testimony made pursuant to a valid subpoena, to the following private individuals,
19 each of whom was pressing a claim or engaged in litigation with plaintiff and/or
20 one or more of the designated beneficiaries of the Agreement:

21 * Vicki and Richard Aznaran, anti-Scientology litigants in the case of
22 Vicki Aznaran, et al. v. Church of Scientology International, United States
23 District Court for the Central District of California, Case No. CV 88-1786
24 (JMI) [Sep.St.Nos. 11-16];

25 * Joseph A. Yanny, anti-Scientology litigant in the case of Religious
26 Technology Center et al. v. Joseph Yanny, et al., Los Angeles Superior
27 Court No. C 690211 and Religious Technology Center et al. v. Joseph
28 Yanny, et al., Los Angeles Superior Court No. BC 033035 [Sep.St.Nos. 17-

201;

* Malcolm Nothling, anti-Scientology litigant in the matter between Malcolm Nothling and the Church of Scientology in South Africa, Adi Codd, Diane Kemp, Glen Rollins; Supreme Court of South Africa (Witwatzbrand Local Division) Case No. 19221/88. [Sep.St.Nos. 21-24];

* Reader's Digest Corporation, anti-Scientology litigant in the case of Church of Scientology of Lausanne vs. Kiosk AG, Basel, Switzerland [Sep.St.Nos. 25-26];

* Richard Behar, anti-Scientology litigant in the case of Church of Scientology International v. Time Warner, Inc.; Time Inc. Magazine Company and Richard Behar, United States District Court, Southern District of New York, Case No. 92 Civ. 3024 PKL [Sep.St.Nos. 27-28];

* Steven Hunziker, anti-Scientology litigant in the case of Hunziker v. Applied Materials, Inc., Santa Clara Superior Court Case No. 892629 [Sep.St.Nos. 29-33];

* David Mayo, anti-Scientology litigant in the case of Religious Technology Center v. Robin Scott, et al., United States District Court for the Central District of California, Case No. 85-711 [Sep.St.Nos. 34-35];

* Cult Awareness Network, anti-Scientology litigant in the case of Cult Awareness Network v. Church of Scientology International, et al., Circuit Court of Cook County, Illinois, No. 94L804 [Sep.St.Nos. 38-39];

* Lawrence Wollersheim, anti-Scientology litigant in the cases of Lawrence Wollersheim v. Church of Scientology of California, Los Angeles Superior Court Number C332027 and Church of Scientology of California v. Lawrence Wollersheim, Los Angeles Superior Court Number BC074815 [Sep.St.Nos. 40-42];

* Ronald Lawley, anti-Scientology litigant in the cases of Religious Technology Center, et al. vs. Robin Scott, et al., U.S. District Court, Central

1 District of California, Case No. 85-711 MRP(Bx); Matter Between Church of
2 Scientology Advanced Organization Saint Hill Europe and Africa, and Robin
3 Scott, Ron Lawley, Morag Bellmaine, Stephen Bisbey in the High Court of
4 Justice Queen's Bench Division, Case 1984 S No. 1675; and Matter
5 Between Church of Scientology Religious Education College Inc., and Nancy
6 Carter, Ron Lawley, Steven Bisbey, in the High Court of Justice Queen's
7 Bench Division, Case 1986 C No. 12230 [Sep.St.Nos. 43-44];

8 * Uwe Geertz and Steven Fishman, anti-Scientology litigants in the case
9 of Church of Scientology International v. Steven Fishman, et al., United
10 States District Court for the Central District of California Number 91-6426
11 HLH(Tx) [Sep.St.Nos. 45-46];

12 * Tilly Good, a claimant against the Church of Scientology, Mission of
13 Sacramento Valley [Sep.St.Nos. 36-37];

14 * Denise Cantin, a claimant against the Church of Scientology of Orange
15 County; Church of Scientology of Boston; and Church of Scientology, Flag
16 Service Organization [Sep.St.Nos. 36-37]; and

17 * Ed Roberts, a claimant against the Church of Scientology of
18 Stevens Creek [Sep.St.Nos. 36-37].

19 6. Between 1992 and the present, Armstrong breached paragraph 7(D)
20 of the Agreement by contacting media representatives, granting interviews and
21 attempting to assist media representatives in the preparation for publication or
22 broadcast magazine articles, newspaper articles, books, radio and television
23 programs, about or concerning the Church and/or other persons and entities
24 referred to in paragraph 1 of the Agreement. These media representatives
25 included:

26 * Cable Network News: reporter Don Knapp, in March, 1992
27 [Sep.St.Nos. 47-48];

28 * American Lawyer Magazine: reporter Bill Horne, in March, 1992

- 1 [Sep.St.No. 49];
- 2 * Los Angeles Times: reporter Bob Weikos, in May, 1992; and reporter
- 3 Joel Sappell, in June, 1993 [Sep.St.Nos. 50-51];
- 4 * CAN Video Interview, with anti-Scientologists "Spanky" Taylor and
- 5 Jerry Whitfield, in November, 1992 [Sep.St.No. 52];
- 6 * KFAX Radio: interview planned but prevented in April, 1993
- 7 [Sep.St.No. 53];
- 8 * Newsweek Magazine: reporter Charles Fleming, in June, 1993 and
- 9 August, 1993 [Sep.St.No. 54-56];
- 10 * Daily Journal: reporter Mike Tipping, in June, 1993 [Sep.St.No. 57];
- 11 * Time Magazine: reporter Richard Behar, in March, 1992 and in June,
- 12 1993 [Sep.St.Nos. 58-59];
- 13 * San Francisco Recorder: reporter Jennifer Cohen, in August, 1993
- 14 [Sep.St.No. 60];
- 15 * E! Entertainment Network: reporter Greg Agnew, in August, 1993
- 16 [Sep.St.No. 61];
- 17 * WORD Radio: Pittsburgh, Pennsylvania, interviewed in the fall of 1993
- 18 [Sep.St.No. 62];
- 19 * St. Petersburg Times: St. Petersburg, Florida, reporter Wayne Garcia,
- 20 in the fall of 1993 [Sep.St.No. 63];
- 21 * Premiere Magazine: letter to the editor, in October, 1993 [Sep.St.No.
- 22 64];
- 23 * Mirror-Group Newspapers: United Kingdom, in May, 1994
- 24 [Sep.St.No. 65];
- 25 * Gauntlet Magazine: New York, New York, reporter Rick Cusick in
- 26 June, 1994 [Sep.St.No. 66];
- 27 * Pacific Sun Newspaper: reporter Rick Sine, in June and July, 1994
- 28 [Sep.St.No. 67];

1 * Disney Cable: reporter Marsha Nix, in August, 1994 [Sep.St.No. 68];
2 and

3 * Tom Voltz: Swiss author writing a book about Scientology, in
4 October, 1994 [Sep.St.No. 69].

5 7. Between 1992 and the present, Armstrong breached paragraph 7(D)
6 of the Agreement by preparing and distributing at least three manuscripts
7 concerning his claimed experiences in and with Scientology, including a treatment
8 for a screenplay which he intends to turn into a film [Sep.St.Nos. 70-71].

9 8. Between 1991 and the present, Armstrong further breached
10 paragraph 7(D) of the Agreement by disclosing his claimed experiences in Scientology
11 to each of the following persons or groups, not previously identified:
12 Robert Lobsinger [Sep.St.No. 72]; the New York Times [Sep.St.No. 73]; Toby
13 Plevin, Stuart Culter, Anthony Laing, Kent Burtner, and Margaret Singer
14 [Sep.St.No. 74]; Priscilla Coates [Sep.St.No. 75]; Omar Garrison [Sep.St.No. 76];
15 Vaughn and Stacy Young [Sep.St.No. 77]; a Stanford University psychology class
16 [Sep.St.No. 78]; attendees at the 1992 Cult Awareness Network Convention
17 [Sep.St.No. 79]; and Hana Whitfield [Sep.St.No. 80].

18 9. Defendant Armstrong has reiterated numerous times that he intends
19 to continuing breaching the Agreement unless he is ordered by the Court to cease
20 and desist [Sep.St.Nos. 87-97].

21 10. Plaintiff's legal remedies are inadequate insofar as the scope of the
22 relief ordered below is concerned. Tamarind Lithography Workshop, Inc. v. Sanders
23 (1983) 143 Cal.App.3d 571, 577-578, 193 Cal.Rptr. 409, 413.

24 Accordingly, the Court finds that entry of a permanent injunction in this
25 action is necessary in this action because pecuniary compensation could not afford
26 the Church adequate relief, and the restraint is necessary in order to prevent a
27 multiplicity of actions for breach of contract. Civil Code § 3422(1), (3). A ORDER
28 of injunction is therefore entered as follows:

1 Defendant Gerald Armstrong, his agents, employees, and persons acting in
2 concert or conspiracy with him are restrained and enjoined from doing directly or
3 indirectly any of the following:

- 4 1. Voluntarily assisting any person (not a governmental organ or
5 entity) intending to make, intending to press, intending to arbitrate, or
6 intending to litigate a claim, regarding such claim or regarding pressing,
7 arbitrating, or litigating it, against any of the following persons or entities:
- 8 o The Church of Scientology International, its officers, directors, agents,
9 representatives, employees, volunteers, successors, assigns and legal
10 counsel;
 - 11 o The Church of Scientology of California, its officers, directors, agents,
12 representatives, employees, volunteers, successors, assigns and legal
13 counsel;
 - 14 o Religious Technology Center, its officers, directors, agents,
15 representatives, employees, volunteers, successors, assigns and legal
16 counsel;
 - 17 o The Church of Spiritual Technology, its officers, directors, agents,
18 representatives, employees, volunteers, successors, assigns and legal
19 counsel;
 - 20 o All Scientology and Scientology affiliated Churches, organizations and
21 entities, and their officers, directors, agents, representatives,
22 employees, volunteers, successors, assigns and legal counsel;
 - 23 o Author Services, Inc., its officers, directors, agents, representatives,
24 employees, volunteers, successors, assigns and legal counsel;
 - 25 o The Estate of L. Ron Hubbard, its executor, beneficiaries, heirs,
26 representatives, and legal counsel; and/or
 - 27 o Mary Sue Hubbard;

28 (Hereinafter referred to collectively as "the Beneficiaries");

2. Voluntarily assisting any person (not a governmental organ or entity) defending a claim, intending to defend a claim, intending to defend an arbitration, or intending to defend any claim being pressed, made, arbitrated or litigated by any of the Beneficiaries, regarding such claim or regarding defending, arbitrating, or litigating against it;

3. Voluntarily assisting any person (not a governmental organ or entity) arbitrating or litigating adversely to any of the Beneficiaries;

4. Facilitating in any manner the creation, publication, broadcast, writing, filming audio recording, video recording, electronic recording or reproduction of any kind of any book, article, film, television program, radio program, treatment, declaration, screenplay or other literary, artistic or documentary work of any kind which discusses, refers to or mentions Scientology, the Church, and/or any of the Beneficiaries;

5. Discussing with anyone, not a member of Armstrong's immediate family or his attorney, Scientology, the Church, and/or any of the Beneficiaries;

In addition, it is ORDERED that, within 20 days of the issuance of this Order, Armstrong shall:

1. Return to the Church any documents which he now has in his possession, custody or control which discuss or concern Scientology, the Church and/or any person or entity referred to in paragraph 1 of the "Mutual Release of All Claims and Settlement Agreement" of December, 1986, other than documents which have been filed in this litigation.

It is further ORDERED that during the pendency of this litigation, documents which have been filed in this litigation may be retained by Armstrong's counsel. Those documents are to remain sealed, in the possession of Mr. Greene or any successor counsel, and may not be distributed to third parties. At the conclusion of the instant litigation, it is ORDERED that all documents from this case in

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counsel's possession which do not comprise counsel's work product will be
delivered to counsel for plaintiff. Counsel's work product may be retained by
Armstrong's counsel.

DATED: _____, 1995
OCT 17 1995

NOT A MEMORANDUM
THE HONORABLE GARY W. THOMAS
SUPERIOR COURT JUDGE

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13 Attorneys for Creditor
14 CHURCH OF SCIENTOLOGY INTERNATIONAL

15 UNITED STATES BANKRUPTCY COURT

16 NORTHERN DISTRICT OF CALIFORNIA

17 In re	) CASE NO. 95-10911 aj
18)
19 GERALD ARMSTRONG,	) Chapter 7
20)
21 Debtor	) Adv. No. 95-1164
22)
23	) FIRST AMENDED
24 CHURCH OF SCIENTOLOGY	) COMPLAINT TO DETERMINE
25 INTERNATIONAL, a California non-	) DISCHARGEABILITY AND
26 profit religious corporation,	) IN OBJECTION TO
27	) DISCHARGE AND FOR
28 Plaintiff,	) DECLARATORY RELIEF
29)
30 v.	) [11 U.S.C. §§
31	) 727(a)(4)(A);
32 GERALD ARMSTRONG,	) 727(a)(5)]
33)
34 Defendant.)
35)

36 Church of Scientology International ("CSI"), plaintiff, and
37 creditor of the above-named debtor, Gerald Armstrong
38 ("Armstrong") in a sum in excess of \$300,000 alleges:

39 INTRODUCTION

40 1. Debtor Armstrong has engaged in a pattern of fraud and
41 deceit that mandates dismissal of his bankruptcy petition without
42 discharge, or, alternatively, that his debt to plaintiff be

1 deemed nondischargeable. First, he has lied to this Court, the
2 trustee and his creditors by failing to include, as part of his
3 Schedule B, his ownership in the Gerald Armstrong Corporation.
4 In 1993, Armstrong testified that the assets of the Gerald
5 Armstrong Corporation were worth \$1 billion. In 1994, Armstrong
6 admitted under oath that he owned 80% of the shares of the stock
7 in the corporation, and was its president and sole employee.
8 Second, while testifying at a meeting of creditors, Armstrong
9 asserted that the Gerald Armstrong Corporation no longer
10 possessed any assets having any commercial value. Armstrong has
11 failed to satisfactorily explain how he disposed of not only the
12 \$1 billion in assets claimed by the Gerald Armstrong Corporation,
13 but also \$518,000 of the \$800,000 which he received as proceeds
14 of a legal settlement, and at least \$15,000 which he received in
15 large increments in 1992 and 1993. These actions render
16 Armstrong ineligible for discharge pursuant to 11 U.S.C. §§
17 727(a)(4)(A) and (5).

18 In addition, Armstrong has now been permanently enjoined by
19 the Los Angeles Superior Court from committing any further
20 breaches of the agreement which entered into with CSI in 1986.
21 CSI seeks a declaration that Armstrong's obligations under that
22 injunction will survive any discharge in bankruptcy.

23 **JURISDICTION**

24 2. This is an adversary proceeding in the debtor's Case
25 No. 95-10911 aj under Chapter 7 of Title 11 of the United States
26 Bankruptcy Code, now pending in this Court. This Court has
27 jurisdiction of this adversary proceeding pursuant to 11 U.S.C.
28 §§ 727, 523 and 365, and by order of this Court dated May 25,

1 1995. This is a core proceeding under 28 U.S.C. §§ 157(b)(2)(I)
2 and (J).

3 3. Defendant Armstrong is not eligible for discharge as a
4 debtor in his bankruptcy action pursuant to 11 U.S.C. §§
5 727(a)(4)(A) and (5).

6 **PARTIES**

7 4. Plaintiff Church of Scientology International ("CSI")
8 is, and was at all times relevant herein, a California non-profit
9 religious corporation having its principal office in the City of
10 Los Angeles, County of Los Angeles, State of California.

11 5. Defendant Gerald Armstrong is an individual who at all
12 times relevant herein has been a resident of the City of San
13 Anselmo, County of Marin, State of California.

14 **GENERAL AVERMENTS**

15 6. Armstrong's debt to CSI arises in the context of a
16 state court action for breach of contract, Church of Scientology
17 International v. Gerald Armstrong, Marin County Superior Court,
18 Case No. 157 680 ("the State Court Action"). CSI obtained
19 summary adjudication of six of its breach of contract claims in
20 that action, and dismissed the remaining claims, resulting in a
21 judgment against Armstrong of \$300,000, together with costs and
22 attorneys fees. A true and correct copy of the state court
23 judgment, entered on _____, is attached hereto as
24 Exhibit A. As part of the judgment, CSI was awarded a permanent
25 injunction against Armstrong. A true and correct copy of the
26 permanent injunction is attached hereto as Exhibit B.

27 7. The contract which forms the basis of the State Court
28 Action was entered into by Armstrong and CSI in December, 1986

1 ("the Agreement"). A true and correct copy of the Agreement is
2 attached hereto as Exhibit C. It settled outstanding litigation
3 between CSI and Armstrong according to certain terms and
4 conditions. Armstrong has admitted that the settlement proceeds
5 which he received were \$800,000, and that he received \$518,000
6 after paying attorneys' fees and expenses.

7 8. Pursuant to the Agreement, Armstrong, who had been
8 actively pursuing a career as an anti-Scientology "expert" and
9 paralegal, agreed, inter alia, that he would not disclose his
10 knowledge of or experiences in Scientology to anyone, and would
11 not voluntarily aid other litigants or would-be litigants in
12 anti-Scientology litigation. (Agreement, ¶¶ 7(D), 7(G), 7(H) and
13 10). The Agreement also provided that Armstrong would pay CSI
14 \$50,000 in liquidated damages for every prohibited disclosure.

15 9. Armstrong claims that in August, 1990, he was directed
16 by God to give away his material assets. He transferred real
17 property valued at approximately \$530,000 and at least \$35,000 in
18 cash to his friend and lawyer, Michael Walton. He also claims
19 that he forgave an outstanding debt to Walton of \$30,000.
20 Armstrong further claims that he forgave other debts to friends
21 and family members totalling approximately \$133,000 and gave away
22 additional cash totalling \$1,500. Armstrong has asserted under
23 oath that he received no valuable consideration for any of these
24 transfers. Although he was asked to do so in the State Court
25 Action, Armstrong has not produced any records of any of these
26 transactions, other than a few documents concerning the transfer
27 of the real property to Walton.

28 10. In or about August, 1987, Armstrong incorporated a

1 California corporation which he called the Gerald Armstrong
2 Corporation ("GAC"). Armstrong was the only incorporator,
3 officer, and director of the corporation.

4 11. In February, 1992, CSI brought the State Court Action
5 against Armstrong, alleging that he had repeatedly breached the
6 provisions of the Agreement delineated in Paragraph 8, supra.
7 CSI sought and obtained a preliminary injunction enforcing
8 portions of the Agreement.

9 12. Armstrong testified in the State Court Action that, on
10 incorporation, GAC issued a single share of stock to a single
11 shareholder: Gerald Armstrong. Armstrong also testified that he
12 transferred significant personal assets to GAC in 1988, including
13 personal and intellectual property. Armstrong has testified that
14 in August, 1990, the value of GAC's assets was \$1,000,000. He
15 based this figure on an appraisal of some of Armstrong's works
16 owned by GAC, which he testified were independently valued at
17 \$900,000. In addition, in August, 1990, Armstrong listed the
18 following personal property as further assets of GAC: office
19 equipment, office furniture, four filing cabinets and contents,
20 photocopier, drafting table, drafting machine, MAC and Image
21 Writer II, VCR, opaque projector, projector table, Morantz
22 portable twin head recorder, microphone, 2 sets of headphones, 3
23 chests of drawers, futon frame, cover, linen, futon, pillows,
24 Chines rug and 2 rockers.

25 13. Armstrong claimed, under oath in the State Court
26 action, that GAC "possesses a number of Gerald Armstrong's
27 artistic and literary works, possesses rights to a number of his
28 inventions and rights to certain formulas, and is in the business

1 of bringing peace and exploiting its assets for commercial and
2 peaceful purposes." He also testified that GAC owns "equipment
3 and products." The business of GAC, according to Armstrong, is
4 to care for, promote and exploit "the works of Gerald Armstrong."

5 14. Armstrong testified in the State Court Action that in
6 August, 1990, at the same time that he made the transfers
7 described in paragraph 10, supra, he transferred his ownership in
8 GAC to Michael Walton, Michael Douglas, Lorien Phippeny and Nancy
9 Rhodes. According to Armstrong, his single share of stock was
10 divided into 100 shares, and each of the four received 25 shares.
11 Walton, Douglas, Phippeny and Rhodes paid Armstrong nothing for
12 the shares of stock.

13 15. Shortly after making the transfers referred to in
14 paragraphs 12 and 14, supra, Armstrong initiated successive
15 breaches of the Agreement, which resulted in the filing of the
16 State Court Action. When Armstrong disclosed the transfers in
17 the State Court Action, CSI brought a fraudulent conveyance
18 action against Armstrong and Michael Walton. That action was
19 consolidated into the State Court Action in September, 1994.

20 16. Armstrong admitted in deposition in the State Court
21 Action that he reacquired the shares of stock in GAC which he had
22 distributed to Walton, Douglas, Phippeny and Rhodes. In October,
23 1992, Armstrong testified that GAC had 9 shareholders. He owned
24 80 shares. Single shares were owned by Armstrong's friends and
25 relatives, Michael Douglas, Michael Walton, Andrew Armstrong,
26 Thomas McPherson, Joseph Yanny, Michael Dick, Trevor and Colin
27 Dick, and Anthony Armstrong. In 1993, GAC issued a single share
28 to Armstrong's brother, Andrew Armstrong. In 1994, GAC issued a

1 single share to Armstrong's brother, Anthony Armstrong.
2 Armstrong testified again in 1994 that he owned 80% of GAC's
3 stock.

4 17. Armstrong has testified, in deposition in the State
5 Court Action, that he is currently the President, and only
6 officer, of GAC, one of its two directors, and its only employee.
7 In 1993, he testified that GAC has a single bank account, and
8 that he was the sole signatory on that account.

9 18. In March, 1993, Armstrong testified under oath that he
10 estimated the value of the assets owned by GAC to be
11 \$1,000,000,000 to \$1,500,000,000.

12 19. In May, 1995, at an early meeting of creditors,
13 Armstrong testified under oath that GAC no longer possessed any
14 assets of commercial value.

15 FIRST CLAIM FOR RELIEF

16 (For a Determination That Armstrong's Debts Are Not
17 Dischargeable Pursuant to 11 U.S.C. §727(a)(4)(A))

18 20. Plaintiff incorporates by reference the allegations
19 contained in paragraphs 1 through 19 above as though set forth
20 fully herein.

21 21. On April 18, 1995, Armstrong filed a Voluntary Petition
22 for Bankruptcy with this court. He swore under penalty of
23 perjury that the information which he provided in the Petition
24 was true and correct. On Schedule B of his Petition, Line 12,
25 Armstrong stated that he owned no stock or interests in
26 incorporated or unincorporated businesses. CSI is informed and
27 believes, and therefore alleges that on April 18, 1995, Armstrong
28 owned and still owns at least 80% of the stock of the Gerald

1 Armstrong Corporation.

2 22. CSI is informed and believes and therefore alleges that
3 GAC is, and at all times relevant herein was, operated by and for
4 the benefit of Gerald Armstrong as his alter ego. The alleged
5 corporate form of GAC should, accordingly, be disregarded, and
6 GAC's assets considered the assets of Armstrong.

7 23. Armstrong's failure to include his ownership of GAC in
8 Schedule B is a deliberate omission of a material matter
9 constituting a false oath or account in connection with the case.

10 24. Armstrong failed to disclose his ownership of GAC and
11 its assets with the intent to mislead creditors and the trustee
12 as to the debtor's true financial condition, or with reckless
13 disregard for the truth with regard to a matter material to the
14 case.

15 25. As a result of the foregoing, Armstrong's debts are not
16 dischargeable in bankruptcy pursuant to 11 U.S.C. §727(a)(4)(A)

17 **SECOND CLAIM FOR RELIEF**

18 (For a Determination That Armstrong's Debts Are Not
19 Dischargeable Pursuant to 11 U.S.C. §727(a)(5))

20 26. Plaintiff incorporates by reference the allegations
21 contained in paragraphs 1 through 24 above as though set forth
22 fully herein.

23 27. In 1986, Armstrong received a substantial sum of money
24 from CSI in settlement of litigation. Armstrong has testified
25 under oath that he invested the money in real property and GAC,
26 and that GAC, set up solely to exploit Armstrong and his literary
27 and artistic ventures, prospered. He has claimed, under oath in
28 the State Court Action, that GAC's assets were valued, in 1990,

1 at \$1 million, and, in 1993, he valued them at \$1 billion to \$1.5
2 billion.

3 28. Armstrong's Bankruptcy Petition claims assets of
4 \$6,485, and liabilities of \$1,005,367.52. At the meeting of
5 creditors, on May 17, 1995, Armstrong claimed under oath that
6 GAC possessed no assets of any commercial value.

7 29. Armstrong has offered no satisfactory explanation for
8 his claimed losses of \$518,000 since 1986, \$1 million since 1990,
9 or \$1 billion to \$1.5 billion since 1994.

10 30. As a result of the foregoing, Armstrong's debts are not
11 dischargeable in bankruptcy pursuant to 11 U.S.C. §727(a)(5).

12 **THIRD CLAIM FOR RELIEF**

13 (For a Determination That the State Court Injunction is Not
14 Dischargeable as a Claim Pursuant to 11 U.S.C. § 101(4))

15 31. Plaintiff incorporates by reference the allegations
16 contained in paragraphs 1 through 30 above as though set forth
17 fully herein.

18 32. On May 25, 1996, plaintiff obtained relief from stay in
19 this court in order to obtain a judgment in the State Court
20 Action. On _____, the honorable Gary W. Thomas ordered
21 the clerk of the court to enter final judgment in that action
22 against the debtor.

23 33. Incorporated into that final judgment is Judge Thomas's
24 order of permanent injunction. In that order, Judge Thomas
25 specifically found that an injunction to prevent future breaches
26 of the settlement agreement was necessary and proper according to
27 California law. He found that "entry of a permanent injunction
28 in this action is necessary in this action because pecuniary

1 compensation could not afford the Church adequate relief, and the
2 restraint is necessary in order to prevent a multiplicity of
3 actions for breach of contract. Civil Code § 3422(1), (3)."

4 34. The permanent injunction order issued by the state
5 court is not a claim which can or should be discharged in
6 bankruptcy. It does not require the debtor to transfer any
7 assets or property to anyone, nor can it be reduced to a monetary
8 claim.

9 35. Plaintiff was ordered by this Court on May 25, 1995 to
10 raise the issue of dischargeability of the injunction as an
11 adversary proceeding once the State Court Action had proceeded to
12 judgment.

13 WHEREFORE, plaintiff prays for the entry of judgment against
14 defendant as follows:

15 1. That the Court determine that the debts of defendant be
16 ruled nondischargeable as a result of defendant's knowingly and
17 fraudulently making a false oath in connection with a bankruptcy
18 case by virtue of the provisions of 11 U.S.C. § 727(a)(4)(A); and

19 2. That the Court determine that the debts of defendant be
20 ruled nondischargeable as a result of defendant's failure to
21 satisfactorily explain his loss of and/or deficiency of assets by
22 virtue of the provisions of 11 U.S.C. § 727(a)(5); and

23 3. That the Court determine that the permanent injunction
24 entered by the Los Angeles Superior Court in the case of Church
25 of Scientology International v. Gerald Armstrong, Marin County
26 Superior Court, Case No. 157 680, is not a claim which can be
27 discharged in this action;

28 4. For an award of attorney's fees as allowable by law in

1 an amount the Court determines to be reasonable;

2 5. For costs of suit herein incurred; and

3 6. For such other and further relief as this Court deems
4 just and proper.

5 DATED: January __, 1996

WILSON, RYAN & CAMPILONGO

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By:

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Attorneys for Plaintiff
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